UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/46/5
10 August 1999

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Forty-sixth session
Geneva, 18 October 1999
Item 6 (b) of the provisional agenda

# REPORT ON UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

**Prepared by the UNCTAD secretariat**

**Executive summary**

UNCTAD's assistance to the Palestinian people has evolved from a focus on the analysis of prospects for the development of the Palestinian economy, to an integrated deployment of the secretariat's substantive capacities in the framework of technical cooperation activities. This has entailed examination of key performance and policy aspects of Palestinian trade, finance and related services, which in turn has refined the secretariat's capacity to deliver timely and effective technical assistance in response to requests by the Palestinian Authority. Prolonged adverse performance of the Palestinian economy, especially in trade and related services, has highlighted the challenges that remain to be addressed, despite the positive developments in the policy framework governing economic activity since the Israel-Palestine accords of 1993. These considerations serve as a continued incentive to the international community to intensify assistance to the Palestinian people in building their economy and institutions. Accordingly, UNCTAD has expanded its programme of technical assistance to the Palestinian people in developing capacities for effective policy-making and management pertaining to international trade, investment and related services. Within this context, the secretariat is currently providing assistance in eight project areas, with action pending in six others, in the context of an increasingly cooperative relationship with Palestine and the international organizations concerned.

GE.99-52760 (E)

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## Introduction

1. In accordance with its mandate on assistance to the Palestinian people, and as envisaged in the secretariat's 1998-1999 work-programme, this report has been prepared covering UNCTAD's assistance to the Palestinian people during the period July 1997-June 1999. Particular attention is focused on work accomplished since 1998, taking into account the informal Progress Report prepared by the secretariat for the Forty-fifth Session of the Trade and Development Board, which provided an update on work in this programme area. 1/

2. Since its inception in 1985, UNCTAD's programme of assistance to the Palestinian people has transformed from a focus on research and analysis on the prospects for sustained development of the economy of the occupied Palestinian territory, 2/ to an integrated and sustained deployment of the range of the secretariat's substantive capacities in the context of technical cooperation activities, backstopped by appropriate research and policy analysis. This development was consistent with the new opportunities for providing concrete assistance to the Palestinian people offered by Israel-Palestine accords since 1993. It was furthermore a natural and useful evolution in a work-programme that had produced a solid substantive basis for relevant and effective technical cooperation and policy advice.

3. Since 1995, the secretariat's "Programme of Technical Cooperation Activities in Support of Palestinian Trade, Finance and Related Services" 3/ has served as the framework for a series of advisory missions, training sessions and workshops, in response to requests for assistance from different Ministries of the Palestinian Authority (PA). Targeted research and analysis continues to feature in the secretariat's work-programme, in the context of specific projects, as well as part of monitoring of developments in the Palestinian economy, especially the trade, finance and related services sectors. This report provides a brief account of recent aggregate economic and trade performance, in the context of an assessment of major accomplishments of the interim period and pending challenges for reconstruction and development of the Palestinian economy. This sets the scene for a detailed review of UNCTAD's technical assistance to the Palestinian people in 1998-1999, areas for continued assistance in the 2000-2001 biennium and a preliminary evaluation of programme impact.

## Chapter I

## PALESTINIAN TRADE, FINANCE AND SERVICES: ACCOMPLISHMENTS OF THE INTERIM PERIOD AND PENDING CHALLENGES

### A. Recent developments in the Palestinian economy

#### 1. Economic slowdown amidst population and labour force pressures

4. The population of the West Bank and Gaza in 1998 was estimated by the Palestinian Central Bureau of Statistics (PCBS) to average 2,858,000, growing by 6.4 per cent from the previous year. 4/ The participation of working-age population in the labour force (crude activity rate) remains relatively low, at around 42 per cent. The PCBS estimated the Palestinian labour force at 585,000 in 1998, an increase of 5.9 per cent from 1997. The average full employment rate grew to 78 per cent in 1998 (from 69 per cent in 1997), leaving 91,000 persons unemployed (16 per cent of the labour force) and 38,000 underemployed (6.5 per cent). According to PCBS projections, the resident Palestinian population should exceed 3 million by the turn of the century, with an annual population growth rate of 5.4 per cent. Along with an expatriate population estimated at over 3 million, this constitutes a formidable reservoir of resources on which the future Palestinian economy should be able to draw.

5. In current prices, Palestinian gross domestic product (GDP) realized an average annual growth rate of close to 10 per cent during the period 1990-1996. However, nominal growth fluctuated considerably, and registered negative rates in some years. GDP had grown to $3,413 million by 1996, according to recently available PCBS data. 5/ GDP per capita fell from $1,438 in 1990 to $1,274 in 1994, regaining $1,497 only in 1996. Gross national product (GNP) per capita dropped from $2,054 in 1992 to $1,695 by 1996, a level which was still below those attained in 1987. Different estimates of real growth have been published, the most recent indicating that real GDP and GNP grew by 1 and 2 per cent respectively in 1997, and at an estimated 3 and 3.5 per cent in 1998. This would mean that real per capita income levels in 1998 grew for the first time since beginning their downward spiral in 1993.

6. The Palestinian economy remains characterized by a distorted structure, favouring services, residential construction and a traditional industrial sector. Services historically accounted for about 50 per cent of GDP, though this share has been revised downwards in light of new statistics adopted by PCBS. The share of GDP to GNP fluctuated around 76 per cent during 1990-1992 and increased to about 86 per cent during 1993-1996. Another sign of the distortions in the economy is the large difference between final consumption (estimated at $4,297 million in 1996) and domestic production ($3,413 million). This indicates a minimal structural shift from historical economic trends, whereby external income sources rather than domestic economic expansion fuel aggregate demand. The Palestinian economy remains predominantly based on small cottage industries and sole proprietorships. Investment by the private sector in productive assets has remained low. While total investment accounted for about 30 per cent of GDP in 1996, construction, mainly in housing, accounted for 77 per cent of that total. This reflects a combination of factors, including political uncertainty, restrictions on the

movement of persons and goods, border closures and lack of credit facilities - despite the dramatic expansion of the banking system since 1994. Banks operating in the territory have become effective in mobilizing domestic savings, but their financial intermediation role remains limited. By mid-1998, bank deposits were $2,269 million, while credit facilities did not exceed $709 million, 58 per cent of which were in the form of overdraft accounts.

## 2. A growing trade deficit weighs heavily on the economy

7. Available data confirm that while the Palestinian export sector has declined in scale, complexity and performance, imports have become increasingly varied and significant. This unrestrained import expansion reflects new consumption and investment requirements, as well as lucrative business opportunities for actors in the Palestinian and neighbouring economies. However, the long-term implications of prolonged export declined, and the prevailing market and commodity composition of Palestinian external trade points to serious imbalances that require close policy and technical attention. The broad outlines of recent trade performance confirm an acceleration of a deteriorating trend that began in the 1980s. Since 1996, chronic problems are reaching critical proportions (see table 1).

8. Merchandise imports in 1998 are estimated at $2,723 million, against $444 million of exports. Since 1990, the value of imports increased more rapidly than exports. The ratio of exports to GDP, which in 1980 was above 40 per cent, fell to under 25 per cent by 1987, and fell further to stagnate since 1990 at an historic low of around 10 per cent. This constitutes an adverse structural shift in the economy, though one which still could be reversed through sustained export growth driven by a combination of domestic and foreign investment and further industrial and agricultural production diversification.

9. An enduring feature of the Palestinian economy is a continued large trade deficit, which constitutes a considerable burden on a small economy. The deficit has grown over 300 per cent in eight years, to an estimated $2,279 million in 1998. Exports have been equal to less than 23 per cent of imports since 1992, reaching historical lows of an average 17 per cent in 1996-1998. The ratio of the trade deficit to GDP increased from 30 per cent in 1990 to over 50 per cent since 1995, with imports equivalent to almost 60 per cent of GDP. The deficit in the balance of trade in goods and non-factor services was estimated at $1,976 million in 1997, a burden which is reduced through income earned by Palestinian workers in Israel, amounting to $588 million in 1997. Remittances and current transfers are estimated at $683 million in 1997, further helping to cover the deficit. These factors have reduced the current account deficit to $680 million in 1997, compared to historically low deficits of under $100 million.

Table 1. Palestinian merchandise trade (West Bank a/ and Gaza Strip), 1990-1998

| Item/Year | 1990 | 1992 | 1994 b/ | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|
| Exports (million $) | 231 | 292 | 243 | 326 | 340 | 381 | 444 |
| - Thereof to Israel % | 78.4 | 85.2 | 84.3 | 93.9 | 93.8 | 93.9 | 94.8 |
| - Thereof to Jordan % | 13.9 | 10.0 | 12.8 | 4.5 | 5.3 | 4.9 | 4.9 |
| - Thereof to Egypt % | - | - | - | 0.2 | 0.3 | - | - |
| - Thereof Rest of world | 7.7 | 4.8 | 2.9 | 1.4 | 0.6 | 1.2 | 0.3 |
| Imports (million $) | 843 | 1 260 | 1 075 | 1 690 | 2 017 | 2 164 | 2 723 |
| - Thereof from Israel % | 84.7 | 87.7 | 85.6 | 90.0 | 86.4 | 83.3 | 69.0 |
| - Thereof from Jordan % | 1.1 | 0.8 | 0.6 | 0.5 | 0.4 | 1.4 | 1.4 |
| - Thereof from Egypt % | - | 0.1 | 0.1 | 0.3 | 0.9 | 1.2 | 0.9 |
| - Thereof Rest of world % | 14.3 | 11.4 | 13.7 | 9.2 | 12.3 | 14.1 | 28.7 |
| Exports per cent of imports | 27 | 23 | 22 | 19 | 17 | 18 | 16 |
| Trade balance (million $) | -612 | -968 | -832 | -1 364 | -1 677 | -1 783 | -2 279 |
| Exports as % of GDP | 10 | 11 | 9 | 10 | 10 | 10 | n.a. |
| Imports as % of GDP | 37 | 46 | 41 | 54 | 59 | 58 | n.a. |
| Trade deficit as % of GDP | 27 | 35 | 32 | 44 | 49 | 48 | n.a. |

Sources: For 1990, Halbach, A.J. New Potentials for cooperation and trade in the Middle East. Munchen, Weltforum Verlag, 1995.

For 1992, 1994 and 1995, UNCTAD secretariat estimates (see UNCTAD/GDS/SEU/2).

For 1996-1997, Palestinian Central Bureau of Statistics, foreign trade and GDP statistics from the official website of the PCBS.

For 1998, balance-of-payments estimates from Palestinian Authority, Ministry of Finance, General Directorate of Customs, Excise and Clearance and PCBS.

Notes:

a/ Excluding east Jerusalem.

b/ Data estimates for 1994 are the least reliable for the period.

3. Market distribution of trade: chronic problems and new trends

10. The market concentration of Palestinian trade with one predominant partner, Israel, has increased in most respects since 1990. While this trend is consistent with the long-term shift in the market composition of Palestinian external trade in line with the customs union in force until 1993, it further intensified since the negotiated customs union was adopted in 1994. The value of trade with partners other than Israel fell until 1997, while its proportion also declined since 1990. Israel accounted for 85 to 90 per cent of Palestinian imports during 1990-1998 (and for much of the 1980s as well). Palestinian imports from Israel grew to $1,890 million in 1998 as compared to $1,500 million in 1995. Imposition of Israeli tariffs on most goods imported by the PA led to an increase in the prices of imported goods relative to identical goods produced in Israel, effectively limiting demand for imports from Arab countries.

11. Only since 1997 have these trends faltered. A major development noted in 1997 and 1998 has been the growing proportion of imports from the rest of the world, which reached 14 per cent in 1997, for the first time since 1990, then doubling in 1998 to 29 per cent of imports. In absolute terms, Palestinian imports from the rest of the world reached about $780 million in 1998. This reflects new import market opportunities, and increases direct importation to the PA. Of equal significance is that the PA has been able to confirm the Palestinian destination of a growing portion of imports, which have always flowed through Israel and were statistically accounted for as imports from Israel. This has important revenue and policy implications, deserving serious consideration. The PA constitutes a major market for Israeli exports; the most recent import trends could lead to a lower Israeli share of Palestinian imports and a decline in the absolute level of imports from Israel.

12. Imports from Jordan were estimated at $30 million in 1997, increasing to $38 million by 1998. This compares with levels that historically had only exceeded $10 million once, in 1986-1987. Meanwhile, imports from Egypt reached an unprecedented $25 million in 1997 and 1998. Unrecorded imports, considered to be prevalent in Palestinian trade with Egypt, are indicative of possibilities for more significant import flows from Egypt. However, the existence of over $50 million of recorded imports from new, Arab sources, where none existed two years ago, is one of the clearest positive results of the new trade policy framework since 1994. It also indicates potential for trade in a direction that had not existed previously, while prospects for reviving Palestinian exports to Arab markets remain largely unexplored.

13. Certainly the most disappointing feature of Palestinian external trade in recent years is that export growth has remained sluggish, with a growing diversion of trade to Israel. Whereas Israel was the market for 85 per cent of Palestinian exports in 1990 (and less in the preceding decade), 95 per cent of exports in 1998 were destined for Israel, mainly at the expense of exports to/through Jordan. A significant proportion of Palestinian exports to Israel are still products manufactured under subcontracting arrangements, whereby major gains are passed on to the Israeli firms which sell in both the Israeli and export markets. 6/ Recently, exports to Jordan dropped sharply, down to $20 million in 1997 and 1998, as compared to $32 million in 1990

and $125 million in 1982. Until 1982, exports to/through Jordan constituted over 30 per cent of Palestinian exports. On the other hand, there had been no possibility of trade with Egypt until the opening of borders in 1994. This channel has remained marginal, with exports reaching $1 million in 1996 and decreasing since. Exports to the rest of the world have declined sharply, to under 0.5 per cent of total exports by 1998, at levels of between $1 and 4 million annually since 1993, as compared to $18 million in 1990. In terms of Palestinian export opportunities, the past years have not yielded satisfactory results.

## B. Major achievements in the reconstruction and development of the Palestinian economy

14. In the context of monitoring and analysis of key developments in the Palestinian trade, finance and related services sectors, the UNCTAD secretariat has undertaken an examination of major achievements of the interim period (1994-1999) and pending tasks for the future, drawing both on its own experience in this area and the range of literature available from other sources active in the field. 7/ This is intended to provide the broad policy-analysis framework required for designing relevant and effective operational activities in these sectors and for sharpening the secretariat's advisory capacities. The following section reviews the first findings of this exercise, focusing on major achievements and pending future tasks.

### 1. Policy environment

15. The Declaration of Principles signed between Israel and Palestine in September 1993 resulted in a period of five years (1994-1999) of interim Palestinian self-rule. The PA envisaged that during this period three important tasks would be undertaken. First, Israeli redeployment from large areas of the Palestinian territory and the establishment of an elected Palestinian Legislative Council and a duly appointed Palestinian Authority. Secondly, it was expected that negotiations to resolve permanent status issues, including borders, Jerusalem, refugees, water and security, would have been completed by 1999. Thirdly, confidence-building measures between the two sides were expected to replace past confrontation and to allow the PA to adopt economic policies conducive to reconstruction and development.

16. None of these tasks was fully achieved by the end of the originally specified interim period. Israel did withdraw from most of the Gaza Strip and from most population centres in the West Bank, but has not yet completed redeployment as agreed between the sides. The PA was established and institutions of governance have been created, but major difficulties prevented it from developing an efficiently functioning public sector. Negotiations over final status issues have not started, as relations between the two sides have deteriorated since 1996 and reached an impasse during the last year. Despite positive developments linked to the creation of the PA and removal of restrictions from the occupation period, economic activities were adversely affected and the interim period has been characterized by prolonged decline in the standard of living, with high and fluctuating unemployment. Political uncertainty and violence led to border closures and internal geographic

separation of the Palestinian territory, with serious implications for the economy. These factors have had short-term negative effects on income and employment and a longer-term impact on growth and development.

17. However, the formation of a new Israeli Government in July 1999 has generated fresh optimism regarding a revival of the peace process and overcoming the Palestinian-Israeli deadlock. Israel and Palestine have to deal with the dual task of resolving the unsettled issues of the interim period and embarking on negotiations on permanent status issues. In both, the PA faces key strategic choices in the economic domain. The following brief assessment of major achievements and disappointments of the interim period, and pending priority tasks, reflects some of the major issues to be considered in this respect.

## 2. Achievements and unfinished tasks of the interim period

18. Without doubt, among the most impressive developments of the interim period were the serious efforts by the PA to create a new economic environment, conducive to growth and development, and the attendant achievements and shortcomings. Three major areas may be identified. The first relates to efforts in the institutional and legal domains; the second refers to physical and social infrastructure; and a third relates to financial and trade policy.

19. The major achievement in the creation of a new institutional framework is the establishment of two branches of government; the legislature and the executive. Together, they have been able to enact and implement new laws and measures that removed some restrictions of the occupation era, and allowed for some support to the private sector. These measures include new legislation for investment promotion, industrial zones and banking, tax reform and effective internal security. In addition, positive developments in the economic environment brought about by PA institution-building may be identified. They include the establishment of ministries that constitute a functioning public sector, collection of taxes and delivery of social services, removing various regulatory restrictions on economic activities and the creation of a regulatory environment conducive to investment, trade and growth.

20. Notwithstanding these achievements, the institutional framework remains in a state of flux, whereby the jurisdictions and functions of the different bodies are not always clear. In this regard two areas may be identified as priorities in need of urgent change if the PA is to build a modern and open economy. First, the concept of separation of powers needs to be more clearly adopted and exercised. Overlap between the executive and the legislative branches, as it exists now in favour of the former should be curtailed. Furthermore, the judicial system, which was reduced in size and scope during occupation, has not received the attention it deserves. Reviving the role of the Supreme Judicial Council and ensuring its autonomy and integrity is a top priority as a step towards rehabilitating the judiciary as a whole, essential both for building civil society and accelerating economic development.

21. In the area of physical infrastructure, the PA is faced with a huge task of refurbishing a system which is inadequate and unreliable. The PA has

recognized the urgency of this task and given it top priority in its development plan for the period 1999-2003, accounting for 48 per cent of total public investment, with priorities in transportation, water waste, and energy. The opening of Gaza Airport at the end of 1998 was a major step towards establishing an air link with the outside world. It is also noted that the Palestinian Telecommunication Company (PALTEL) has made considerable improvements in the availability of both fixed and mobile phones. Similarly, the field of social services, especially education and health, suffers from long neglect and is in need of a comprehensive plan of reform, modernization and growth. In this regard, the recent educational plan drawn up jointly by the Ministry of Education, the Ministry of Higher Education and the Ministry of Labour, is a good start for designing a long-term strategy for the educational system. The health sector requires major reform that includes expanding insurance protection to cover poor families and many other groups.

22. As regards financial resources, it is noted that the Ministry of Finance has improved its tax collection capacity, and it is hoped that the PA's revenues will be sufficient to cover its current expenditures in 1999. Such an improvement in the fiscal condition of the PA will enable donor assistance to be allocated entirely to long-term public investment. Since it is expected that this external assistance will dwindle in a few years, it is essential that the PA plan for this eventuality by reforming the tax system and rationalizing expenditures.

23. Certainly, the achievements of the PA in concluding preferential or free-trade agreements and arrangements with a range of trade partners is indicative of both foresight and a dynamic vision of future Palestinian external trade relations. Trade accords and cooperation arrangements concluded since 1994 with Canada, Egypt, the European Free Trade Area, the European Union, Jordan, Saudi Arabia, the United States of America and others have set the scene for a diverse and challenging environment for developing Palestinian trade in goods and services in the coming years. While circumstances on the ground have not yet permitted a full utilization of all the opportunities these new relationships offer, the PA is well aware of the potential benefits and is working hard to translate these accords into real business opportunities for Palestinian producers and traders.

### 3. Pending challenges

24. Major challenges face the PA in the reconstruction effort. Creating a new enabling environment cannot be achieved without addressing the issue of sovereignty. It is imperative that the permanent status negotiation be concluded in a manner that provides the requisite degree of Palestinian control over land, water and borders. Agreements that leave ambiguity on this fundamental issue could create uncertainty and confusion that would undermine efforts to create an economic environment conducive in the long term to production, trade and growth. Reforming the PA along lines that emphasize the separation of powers and the rule of law is another prerequisite for modernizing the economy.

25. In the area of economic policy, measures may be identified that will help avoid both macro-instability and micro-inefficiency. These include policies designed to encourage saving, investment and exports and to curtail

emerging practices of monopolizing certain sectors of the economy. An examination of present monetary arrangements reveals different alternatives for the future. Given the present economic conditions, and realistic prospects, consideration ought to be given to the creation of a Palestinian currency via the institution of a currency board. It could serve for a transitional period, in which the new currency acquires credibility at the same time that the Palestinian Monetary Authority builds up central banking expertise and the financial markets mature. The eventual abandonment of this regime in favour of an independent Palestinian currency would be a natural conclusion of the transitional process, during which credibility is established, institutions are built up and financial markets mature.

26. As for future trade arrangements, two principles may be emphasized. First, trade relations between Israel and Palestine will continue to have profound political and economic implications. They should bolster independent Palestinian economic policy-making and management, rather than undermine it. A trade accord under which Palestine would simply adopt most of the elements of the current Israeli foreign trade regime would not be responsive to Palestinian development objectives, given the great disparity between the two economies. Accordingly, trade relations with Israel should not be subject to a rigid regime which locks in current patterns, but rather should evolve over time with the dismantling of the legacy of past decades. Secondly, trade arrangements between Palestine and its different partners should reflect the dynamic needs and sequential stages of the Palestinian reconstruction and development programme. Thus, the concept of "special and differential treatment" appears relevant so as to allow the "re-tooling" of some of the Palestinian industries that were weakened or edged out of the market in the past owing to economies of scale advantages of foreign competitors. Appropriate support should be provided to those industries that reveal market potential through detailed cost-benefit studies, and for a definite period of time. This could provide impetus for the import-substitution track of structural transformation and allow for evolution to the export promotion stage. Guided by these principles, alternative trade regimes may be envisaged, drawing on the range of versions of customs unions and free-trade area currently under consideration by the PA.

27. UNCTAD's research over recent years on the prospects for sustained development of the Palestinian economy has highlighted the need to consolidate a vision for the Palestinian development, based on both a realistic appreciation of Palestinian economic conditions and relevant lessons learned from the experience of other developing countries. 8/ This substantive basis has enabled the secretariat to provide targeted advisory services to the PA in the past two years. In revisiting this question, some pertinent goals may be emphasized, as the PA strives to elaborate guiding principles for economic permanent status negotiations with Israel and to formalize steps towards integration into the multilateral trading system. Intensive efforts at elaborating a Palestinian development vision, reflecting public and private sector goals and needs, will be indispensable in successfully concluding the negotiations to come.

28. The first goal is concerned with the sequential stages of structural transformation. It shows that the proper approach should emphasize the complementarity between import substitution and export promotion as the

fundamental dynamic of the transformation. Trade policies and regimes flow from there. The second is concerned with designing a national strategy for technological improvement and the need for the Palestinian economy to embark on establishing an independent technological learning capacity (ITLC). For this capacity to develop and for technology to be able to perform its dynamic transformative functions, major changes need to take place. Included among these is a considerable increase in resources allocated to education and scientific research and the development of liberal-democratic institutions securing a free exchange of ideas and free inquiry. The third broad goal concerns the relation between the public and the private sectors and how it should evolve over time given the specific conditions of the Palestinian economy. This emphasizes the importance of building the PA along the lines of "embedded autonomy" inherent to "developmental" states which feature autonomous, well-trained and competent management. 9/ The pursuit of this approach to PA institution building will enable it to assume a guiding role in various fields, while maintaining cooperation with, and initiative by, the enterprise sector and civil society.

## Chapter II

## UNCTAD'S TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

29. Building on the new opportunities created by the Israel-Palestine economic accords of 1994, the work of the UNCTAD secretariat on assistance to the Palestinian people has acquired a clear emphasis on operational activities. This reorientation aims to provide concrete assistance with a view to bolstering Palestinian institutional development and helping to create an enabling environment for the private sector, through a range of technical cooperation modalities. Following endorsement by the PA of UNCTAD's "Programme of Technical Cooperation Activities", the secretariat was requested to extend technical assistance in priority areas. Since 1995, UNCTAD secretariat has fielded over 20 advisory missions in 12 project areas, and prepared project proposals, which were all endorsed by the Ministries of the PA concerned. Table 2 provides an overview of UNCTAD projects currently under implementation or envisaged. So far, the secretariat has been able to secure 31 per cent of funds needed for technical assistance projects under implementation or proposed, a proportion that has decreased since last year as new funding has lagged behind new project proposals.

30. The UNCTAD mid-term review emphasized that activities relating to assistance to the Palestinian people now need to aim at having a direct beneficial economic impact. To maintain the substantive basis for operational activities during the period under review, the secretariat had prepared two studies, published in 1998, on issues confronting the Palestinian economy in the interim period and beyond. 10/ By mid-1999, the secretariat was providing advisory services and/or training in eight areas under section A, below. Activities are fully or partially funded through Regular Budget, UNDP, UNITAR and bilateral resources. Advisory services have been provided, project proposals prepared and new requests received in six other areas, under section B, below, though the necessary funding has yet to be mobilized.

### A. Operational activities commenced

#### 1. Feasibility study for Nablus Industrial Estate

31. This project, which commenced in early 1998 through UNDP financing, was largely completed by mid-1999. The project involved the preparation by UNCTAD of a comprehensive feasibility study for the planned Nablus Industrial Estate (NIE), in close cooperation with the PA Ministry of Industry and the Palestinian Industrial Estates and Free Zone Authority (PIEFZA). The study developed a master plan for the NIE which maximized site development potential whilst minimizing environmental impact and providing for the needs of industries seeking accommodation for expansion, relocation or new business development. After final revision by the PA and UNCTAD, the study was presented in April 1999 to a group of 80 senior officials from the PA, PIEFZA, local municipalities, private-sector institutions, potential investors and representatives of the donor community. Subsequently, UNCTAD was informed that bilateral donors were considering financing part of the off-site development costs of the NIE, while a private-sector developer consortium is being formed to finance on-site infrastructure and manage the Estate. PIEFZA has requested UNCTAD and the UNDP to continue to provide assistance in

Table 2. UNCTAD technical assistance to the Palestinian people: status at 1 August 1998

| Project title | Approximate budget a/ | PA counterpart ministry b/ | Approximate expenditure 1998/1999 a/ | Sources of funds | Implementation status |
|---|---|---|---|---|---|
| 1. Feasibility study for Nablus industrial estate | $260,000 | Industry; PIEFZA | $260,000 | UNDP | Implementation complete end-1999 |
| 2. Promoting subregional cooperation of PA with Egypt and Jordan | $110,000 | Economy and Trade | $110,000 | UNDP | Implementation complete end-1999 |
| 3. Training programme in international commercial diplomacy | $70,000 | Economy and Trade | $25,000<br>$23,000<br>$22,000 | UNITAR<br>UNCTAD<br>UNDP | Implementation complete end-1999; follow-up activities required into 2000 |
| 4. Strengthening trade efficiency: Trade Point Palestine Ramallah | $220,000 | Economy and Trade | $90,000<br>$30,000 | Italy (MED2000)<br>UNDP | First phase complete end-1999; follow-up activities required into 2000 |
| 5. Guidelines for human resource development in trade: TRAINFORTRADE | $230,000 | Economy and Trade | $50,000 | UNDP | Preliminary activities 1998; needs assessment pending |
| 6. Guidelines for sustainable development of the Palestinian economy: EPS | $35,000 | Economy and Trade | $35,000 | UNCTAD | Expert and staff advisory services 1998-1999 |
| 7. Investment promotion | $10,000 | Economy and Trade; PIEFZA | $10,000 | UNDP | Participation of PA experts in regional project |
| 8. Strengthening technical and operational capacities in customs administration | $260,000 | Finance | $15,000 | UNCTAD | Assessment and ASYCUDA presentation late-1999 |
| 9. Strengthening capacities in debt monitoring and financial analysis | $525,000 | Finance | - | - | Project proposal ready - awaits funding 1999 |
| 10. Managerial and institutional capacities for Gaza Port (Port Law/Port Cell) | $65,000 | Planning and Inter. Coop. | - | - | PA to secure funding from donors 1999 |
| 11. Strengthening capacities of the domestic insurance sector | $155,000 | Finance | - | - | Advisory services requested late 1999 |
| 12. Support of small- and medium-size enterprise development (EMPRETEC) | - | Economy and Trade; PIEFZA | - | - | Needs assessment mission planned late 1999 |
| 13. Seminar on international procurement of strategic food commodities | $60,000 | Supply | - | - | Project proposal ready: awaits funding |
| 14. Statistical series on international trade | $130,000 | PCBS | - | - | Project proposal ready: awaits funding |
| TOTAL: 14 projects | $2,130,000 | seven counterparts | $670,000 | four sources | Eight projects commenced; six await funding |

a/ Budget and expenditure amounts are approximate (as some activities include administrative overheads and others exclude those costs).

b/ PA, Palestinian Authority; PIEFZA, Palestinian Industrial Estates and Free Zone Authority; EPS, economic permanent status; EMPRETEC, support of small- and medium-size enterprise development; PCBS, Palestinian Central Bureau of Statistics.

preparing promotional material to attract investors to NIE, organizing a promotional mission in the region and establishing a PIEFZA office in Nablus. Within existing resource limits, UNCTAD hopes to be able to respond favourably to this request.

2. Promoting the cooperation of the PA with Egypt and Jordan in improving subregional, trade-related services

32. This project is intended to build upon the achievements of the peace process since 1993 by consolidating and operationalizing the accords reached among the partners regarding customs procedures, transport coordination and streamlining trade-related business services and operations. The project was approved for funding by UNDP, and project activities commenced in late 1998. The activities programmed under this project were structured and implemented along the following sequence:

- Designation of three national governmental focal points;
- Recruitment of a team of six national project consultants;
- Undertaking field research, drafting and revising six technical reports;
- Convening a workshop for experts from Egypt, Jordan and the PA;
- Organizing a study tour of a group of experts to Egypt, Jordan and the PA; and,
- Convening a tripartite governmental meeting to agree on follow-up deemed necessary.

33. By mid-1999, all project activities, except for the last above, had been completed. The set of technical documents prepared under this project was made available to participants prior to the Workshop, and served as reference material to guide its deliberations. They consist of four volumes, covering: overview, conclusions and recommendations; customs procedures, procedures and clearing process; overland transport - regulations, formalities and procedures; and, telecommunications and business information services. 11/ The project workshop was convened in Ramallah, from 19-21 June 1999, and 40 Egyptian, Jordanian and Palestinian experts participated actively in all sessions of the Workshop. In addition, UNCTAD and UNDP staff members facilitated the deliberations, while representatives from the United Nations Economic and Social Commission for Western Asia (ESCWA), the United Nations Special Coordinator in the Occupied Territories (UNSCO) and the Swiss Trade Initiative for the Middle East and North Africa also contributed to the discussions.

34. The substantive discussions of the Workshop were held in three sessions, each focusing on one of the sectors investigated. Contributions by project experts and participants enriched the discussions and helped to further focus their outcome within forward-looking, relevant and feasible parameters. The final session of the Workshop was devoted to elaborating specific recommendations for action by the partners to improve trade-related services between them. Participants discussed proposals under three headings: issues

to be addressed at the policy level, issues to be addressed at the subregional level and issues to be addressed at the national (PA) level. In addition, a tripartite action plan was discussed to ensure follow-up action on recommendations under the three headings. At the end of the Workshop, the participants adopted its "Agreed Conclusions" for review and follow-up by the three partners at a high-level governmental meeting between them, to be convened within the context of this project before the end of 1999.

35. The Workshop marked the first opportunity for the three partners to discuss technical issues affecting trade-related services between them, and helped to define and prioritize a consensus on action to address these issues through regional cooperation. In their Agreed Conclusions, the participants agreed to separate treatment of policy-related issues from the range of pressing technical issues that needed to be addressed either at the subregional or at national levels. This facilitates follow-up and reflects a mature appreciation of each partner's responsibilities and what may be realistically achieved. In particular, this technical groundwork could help the three partners to agree on specific issues which can inform their constructive dialogue with Israel aimed at finding feasible and mutually acceptable solutions to the technical barriers that continue to hamper Palestinian external trade.

### 3. Training programme in international commercial diplomacy

36. Activities under this programme, whose costs are covered jointly by UNCTAD, UNDP and the United Nations Institute for Training and Research (UNITAR), aim to: increase the knowledge of PA officials, the private sector, academics and the media of the operation of the multilateral trading system and expose them to the trade-policy options it offers; assist the PA in developing a trade policy suited to the needs and circumstances of the region; and, develop training materials on commercial diplomacy, adapted to local circumstances. Two sessions on the World Trade Organization (WTO) and trade in goods, and on trade in services and intellectual property issues were successfully conducted, in November 1998 and May 1999, respectively. A High-Level Symposium was also held to brief PA senior officials.

37. Both the training sessions and the Symposium featured a lively exchange of views, further development of the training materials for local use and concrete first steps towards creating a dynamic knowledge base on these issues within the PA public and private sectors. The PA has expressed its appreciation for the launching of the Training Programme, which has strengthened its negotiating capacities on the bilateral and multilateral level, and stressed the need for UNCTAD to continue this programme. A third training session planned on commercial negotiation strategies and techniques is intended for late 1999. Meanwhile, Palestine has participated actively in brainstorming meetings organized by UNCTAD in Geneva and in the region within the context of the UNDP-funded regional project to assist Arab States and the PA in integration into the multilateral trading system. The PA has requested sustained advisory services from UNCTAD in this area.

### 4. Strengthening trade efficiency: Trade Point Palestine Ramallah

38. Following start-up activities funded through a UNDP regional project in late 1998, UNCTAD allocated extrabudgetary contributions from the Government

of Italy under the MED-2000 programme to fund the initiation phase of activities under this project in 1999. The Trade Point Palestine Ramallah (TPPR) is envisaged as a partnership between Government and the private sector, guided by a Steering Committee, constituted by all potential TPPR partners. TPPR is currently operative at the PA Ministry of Economy and Trade, with a view to locating it at a private sector host once it is fully operational.

39. The main objective of TPPR will be to coordinate the delivery of trade support services to the Palestinian business community and to encourage the participation of new companies and entrepreneurs, particularly small and medium enterprises, in regional and international trade. Accordingly, TPPR will pursue four strategies: a coordinating and referral role; a promotional role; collection and dissemination of electronic trading opportunities; and, cooperation and linkages with Trade Points in neighbouring countries and further afield. By the end of the first phase of this project, TPPR will have been registered, its Website will have become functional, its client base will have been expanded, a "Guide to trade-support services in Palestine" will have been published, training will have been provided to TPPR staff in cooperation with other Trade Points in the region and arrangements for wide and systematic dissemination of electronic trading opportunities (ETOs) will have been established. If the full potential of this project is to be realized, follow-up activities, training and extension of the Trade Point concept to link Gaza will require fresh extrabudgetary support into 2000.

5. Guidelines for human resource development in trade: TRAINFORTRADE

40. In 1997, UNCTAD was requested to provide technical assistance in the priority area of human resource development for trade. Following an advisory mission, project activities proposed by the secretariat included preparation of training materials, organizing training workshops, and advisory services to strengthen local training capacities. Preliminary activities were funded through the UNDP regional project, under which Palestinian trainers participated in seminars organized by UNCTAD in 1998 and 1999 for trainers and course developers. In order to maintain the momentum achieved in this area, the PA have requested that UNCTAD supervise a team of local experts in a training needs assessment exercise and in preparation of a training strategy and programme. This would serve as the basis for subsequent resource mobilization efforts to develop Palestinian training capacities in this area, which is acquiring growing significance as the Palestinian economy becomes more open to international trade. UNCTAD hopes to respond favourably to this request.

6. Guidelines for sustained development of the Palestinian economy: Israel-Palestine economic permanent status (EPS)

41. In response to a request in 1998 by the PA and UNSCO, UNCTAD's initial contribution in this area has prompted the PA Ministry of Economy and Trade to call for follow-on assistance in the area of trade and economic policy advisory services. In the context of preparations for economic permanent status negotiations with Israel and for integration into the multilateral trading system, the PA has requested that UNCTAD intensify its advisory services and channel appropriate expertise to the PA, especially in the areas of trade policy development, monetary issues, investment and regional

cooperation, as well as economic modelling. Within the limits of available budgetary resources, the secretariat will do its utmost to respond positively to PA needs. However, extrabudgetary support would be necessary to provide the sustained and diverse advisory services needed by the PA as it enters a critical phase of economic and trade negotiations in bilateral and multilateral arenas.

### 7. Investment promotion

42. In the context of activities under the UNDP regional project executed by UNCTAD, the PA has participated in regional seminars and symposia on regional and international investment issues in 1998 and 1999. Currently, the PA is considering membership in the World Association of Investment Promotion Agencies, as it prepares to establish its own investment promotion authority. Consultations with the PA on specific technical assistance needs in this area are planned for later this year, in order to ensure that the PA may be exposed to the full array of expertise at UNCTAD in this key area.

### 8. Strengthening technical and operational capacities in customs administration

43. Since the advisory missions undertaken by UNCTAD in 1996 and 1997 in this area, a project proposal prepared by UNCTAD has remained pending. Following a request in May 1999 by the PA General Directorate for Customs and Indirect Taxation to assess the technical compatibility of the ASYCUDA++ programme with the Palestinian trade framework, new consultations were initiated. A variety of technical assistance proposals are under consideration by the Directorate, including a UNDP project for customs training, membership in the World Customs Organization and bilateral technical assistance.

44. Following consultations with PA and UNDP, it was agreed that UNCTAD would prepare for a new advisory mission by a customs expert and UNCTAD staff to assess PA information technology requirements in the area of customs procedures and data and to give a demonstration of the ASYCUDA++ programme to a group of PA customs and trade officials. The latter presentation would include a session devoted to UNCTAD and UNDP proposals in the area of customs administration. This joint session, to be attended by senior PA officials and representatives of the donor community, would aim to present a coherent set of technical assistance activities identified by the PA and to attract the interest of potential donors to UNCTAD and UNDP proposals.

## B. Proposed operational activities

45. Additional technical assistance needs identified through UNCTAD's research and consultations with PA counterparts, continue to call for action. Specific needs have been identified in a range of areas in which UNCTAD has already begun to act, or which remain unaddressed. The secretariat's institutional expertise and its commitment to provide concrete assistance in this area are now well established. However, in a number of areas within its competence, UNCTAD has not been able to respond to all PA requests for assistance or to implement project proposals at advanced stages of design. UNCTAD's limited recourse to regular and extrabudgetary resources has emerged

as the major impediment to intensified assistance to the Palestinian people. The following paragraphs review those project areas in which the PA and UNCTAD are ready to move swiftly once requisite resources are identified.

### 1. Capacity building in debt and financial management

46. Following a request by the PA and an UNCTAD advisory mission in 1998, the secretariat finalized, in close consultation with the PA Ministry of Finance, a project proposal to assist the PA in this key area of governance. The proposal has four major components: establishing the institutional environment for the PA Debt Office; computerizing the Debt Office through installation of the UNCTAD Debt Management and Financial Analysis System (DMFAS 5.1); compilation of DMFAS 5.1 in Arabic; and preparation of a study on financing public investment and optimal use of public debt instruments.

47. Accordingly, the PA is currently seeking funding for this project from bilateral donors, in the hope that implementation may commence before the end of 1999. The International Monetary Fund (IMF) has welcomed UNCTAD's initiative in this area, which is considered vitally important in order to develop the PA's debt-management capacity, and has assured UNCTAD of its readiness to provide technical support, as may be needed, during the implementation phase. The evident contribution of this project to promoting improved financial management and transparency is expected to encourage donors and the PA to work towards its swift initiation.

### 2. Managerial and institutional capacities for operation of the Gaza Port

48. Since the UNCTAD advisory mission conducted in 1995, follow-up activities on this project were suspended, pending a final decision on arrangements for the construction and operation of Gaza Port. In the meantime, technical and institutional studies for the Port have been completed by donor countries. In May 1999, the PA Ministry of Planning and International Cooperation, on behalf of the Gaza Port Committee, requested that UNCTAD renew its assistance in this area, with particular reference to preparation of a Port Law. The PA has proposed to approach donors in order to cover the costs of this task.

49. In response, the secretariat has proposed an UNCTAD Port Mission to Gaza, focusing on the PA request with regard to preparation of Port legislation. In light of the need for further study of some technical and commercial issues that stem from the economic and technical studies prepared by donors for this project, an additional proposal has been made. In the latter, the proposed Mission would also produce a follow-up technical assistance project proposal to establish a Port Cell. This Cell could serve as technical secretariat to the Gaza Port Committee and act as the nucleus of the future Port Authority. It would supervise planning, constructing and commissioning the Port, and ensure adequate interlinkages between the legal, engineering, commercial, environmental, security and other technical aspects of the project. A decision on the final form of UNCTAD's involvement in this vital project, including downstream activities in the area of human resource development (TRAINMAR), is pending further consultations with the PA.

3. Strengthening capacities of the domestic insurance sector

50. UNCTAD advisory services on this issue in 1996 and 1997 assisted the PA Controller of Insurance in brokering the insurance law, the role of the supervisory authority and the effective operation of the motor accident victims' fund. A set of legal, institutional, managerial and procedural measures for follow-up have been outlined, including developing the technical capabilities of officials involved in the formulation of insurance policy and determination of premiums and their allocation. A follow-up advisory mission, originally programmed for late 1998, is pending as the PA develops its strategy for work in this sector, which is facing an increasingly critical situation owing to the undeveloped state of the insurance industry and resulting difficulties in regulating the market.

4. Support of small and medium-size enterprise development (EMPRETEC)

51. Following UNCTAD's presentation of the Nablus Industrial Estate project (see above), PIEFZA has expressed interest in the implementation of the EMPRETEC programme, possibly in the context of a technology development centre to be established in the Khadoury (West Bank) Industrial Estate currently being planned by the PA. While potential funding sources for this proposal have yet to be identified, UNCTAD hopes to be able to respond favourably to this request by fielding an EMPRETEC assessment and programming mission to the PA in the second half of 1999.

5. Seminar on international procurement and trading of strategic food commodities

52. UNCTAD's advisory missions in 1995 and 1997 outlined a number of measures for immediate action within the frame of a technical assistance project, including a seminar on food-commodity trading and commodity-supply management. Following endorsement of the project by the PA, consultations on this project have yet to secure funding. Nevertheless, the increasing openness of Palestinian markets to imports from international commodity markets renders even more pertinent the skills and knowledge to be disseminated through this project.

6. Compilation of statistical series on Palestinian international trade

53. Since the advisory missions conducted by UNCTAD in 1996 and 1997, no follow-up activities on this proposed project have been undertaken. However, consultations and information exchange with the Palestinian Central Bureau of Statistics have been maintained.

C. Resource mobilization, harmonization and coordination

54. The Medium-Term Plan for 1998-2001 calls for UNCTAD to take into account the work done by other international organizations in order to enhance synergies, avoid duplication and coordinate related activities. As already indicated, UNCTAD proposals for technical assistance to the Palestinian people in a number of project areas remain pending owing to the constrained resource base available for delivering prompt, effective and comprehensive assistance in response to outstanding priority requests by the PA. While efforts by the

secretariat and the PA continue in this respect, the wide range of needs and competition among agencies for limited resources available from bilateral and multilateral donors has placed UNCTAD's proposals at a disadvantage. This may be ascribed in part to limitations in arrangements for inter-agency coordination and agency-donor-beneficiary liaison, but the lack of an UNCTAD field presence has also constrained its interaction with donors and agencies. While UNCTAD's profile in the field has been raised through project activities commenced in 1998 and 1999, and contacts with other involved agencies have intensified, this has not yet improved access to funding. This highlights the need for more vigorous support for the secretariat's technical assistance proposals by donors and States members of UNCTAD.

55. As called for in the Medium-Term Plan, UNCTAD's activities in this area are closely coordinated with relevant international organizations. In a number of project areas, funding and implementation arrangements for UNCTAD projects are provided by UNDP, through its Regional Bureau for Arab States (RBAS) and its Programme of Assistance to the Palestinian People (PAPP), in an increasingly cooperative approach to work in areas of common concern. Similarly, UNCTAD benefits from a regular exchange of information with the UNSCO and participates in inter-agency meetings and related activities. The secretariat has also intensified cooperation and exchange of information with other agencies, especially ESCWA, UNITAR, the World Bank, the IMF and non-governmental organizations involved in extending assistance to the Palestinian people. However, as noted in the mid-term review, inter-agency coordination still needs to be improved and a greater field presence considered.

56. Secretariat activities concerning assistance to the Palestinian people are supported by the different substantive divisions of the secretariat and are coordinated at the Division on Globalization and Development Strategies (DGDS). The 1998-1999 biennium programme budget envisaged allocation of a total of 48 professional work/months in DGDS to this backstopping role, in addition to the work months made available for project activities by staff of the divisions concerned. Furthermore, the General Assembly, in resolution 52/220 of 22 December 1997, decided that this work programme would continue to be carried out by a special coordinator and another staff member. Owing to budgetary and staffing constraints during the period under review, only half of the programmed professional work/months were actually available this biennium. However, it became possible recently to identify a vacant post for recruitment of the Coordinator, expected by the end of the year. In addition, in response to a request by the UNCTAD secretariat, the Government of the Netherlands has decided to fund an associate expert post in this programme area to assist the secretariat in developing its capacity to respond to the PA's diverse technical assistance needs. These supplemental staff resources should permit the secretariat to sustain and deepen its advisory and training role in assistance to the Palestinian people in the coming biennium.

### D. Future activities under the secretariat's 2000-2001 work programme

57. Activities envisaged under the proposed UNCTAD Programme Budget for the biennium 2000-2001 further develop the major tracks already established for UNCTAD's work on assistance to the Palestinian people. Two annual reports on UNCTAD's assistance to the Palestinian people will be prepared for the consideration of the Trade and Development Board, reflecting the research and

operational activities conducted by the secretariat. This will include: (a) completing the assessment commenced this year on Palestinian trade, investment and related services in the interim period, with special focus on their integration into the new global economy and future directions for national policy and regional cooperation; (b) updating and further developing the secretariat's quantitative framework for analysing growth prospects of the Palestinian economy and its installation with PA economic programming and forecasting institutions; (c) advisory services at the request of the PA to enhance public- and private-sector institutional and managerial capacities in the areas of Palestinian international trade and related services and private investment and related services; (d) group training on the Palestinian economy and the multilateral trading system and regional cooperation in support of Palestinian investment and trade; and (e) formulation of field projects to promote Palestinian regional cooperation in trade and enterprise development. In implementing its work programme, close consultations will be maintained with Palestine, and increased harmonization and coordination will be sought with other international agencies in the field.

## E. Impact and evaluation

58. Since UNCTAD IX, the new focus on technical cooperation activities has provided a relevant response to the emerging needs of the PA in key areas of UNCTAD's competence. Further consolidation of UNCTAD's capacities will be sought within the context of a series of projects executed in close cooperation with other agencies and with the PA beneficiaries, to enhance synergies. This is expected to culminate in the provision of tangible technical support to the PA at a crucial stage of reconstruction and development. In assisting the PA to develop institutional and managerial capacities essential to sound policy-making, UNCTAD's assistance to the Palestinian people also helps to enable Palestine to emerge as a distinct actor in the regional and global economic arenas. Accordingly, UNCTAD's assistance helps to pave the way for integrating the Palestinian economy into the regional and global economy. The impact of technical cooperation activities remains to be systematically assessed, as no single project has yet been completed, while others commence. Nevertheless, the secretariat is conducting a limited evaluation exercise drawing on feedback from PA beneficiaries, the results of which will be presented informally to the Board during deliberations on this item.

59. Nevertheless, a number of factors can be cited to attest to the relevance of, and demand for, UNCTAD's technical assistance: the number of requests for advisory services, actual missions undertaken, the subsequent follow-up by UNCTAD and the PA to mobilize project resources and the close cooperation in this regard. The extrabudgetary funding already approved by different sources for projects to be implemented during 1998-1999 also attests to the value of this programme. Press coverage, reader interest and citation by various sources of UNCTAD's last two studies on the subject provide further indication of the impact of UNCTAD's work on the Palestinian economy. For example, the first of these studies was reported in articles in two Arabic-language newspapers (London and Ramallah) and a prominent international financial newspaper (London), interviews with three international radio stations (Geneva and Washington) and a dispatch by one international news agency (London), as well as serving as a reference for information on the Palestinian trade sector in a widely read economic intelligence publication.

This media coverage helped to generate requests for copies of the document from academic and policy-analysis institutions, international development agencies and Ministries of the PA. The second UNCTAD study, published in 1998, generated fresh reader interest, especially among PA officials and negotiators, who relied on the study in developing their position in the context of the first phase of the EPS project referred to above. Experience has shown that UNCTAD press releases and notes to correspondents are necessary in order to generate wider and more specialist appreciation of UNCTAD's work than is possible when only traditional document distribution channels are relied upon.

60. As for shortcomings that still need to be addressed, difficult circumstances at the field level have constituted a major cause of interruptions, delays or otherwise hindering the smooth implementation of technical cooperation activities. The uncertain security and political situation since 1996, coupled with the lack of a regular presence in the field, has rendered communications with project partners, contacts with donors and follow-up with other agencies somewhat cumbersome. Inter-agency coordination arrangements are overburdened by the diversity of agencies calling upon their services, and organizations not based in the Palestinian territory are less able to benefit from field coordination mechanisms.

61. The impact of research and policy recommendations on actual policy-making is more difficult to gauge under the general political circumstances affecting this issue. However, to the extent that the PA has endorsed UNCTAD's proposals for technical cooperation activities emanating from the findings of research and analysis, the capacity for UNCTAD's projects to effect changes in the policy and institutional framework is clearly recognized by their prime beneficiary. Though increasingly "demand-driven", this work-programme also responds to the interests and concerns of UNCTAD's broader constituency, through regular contacts and dialogue, as well as through formal review over the biennium through examination by the Trade and Development Board of UNCTAD's assistance to the Palestinian people.

## Notes

1/ UNCTAD. Report on UNCTAD's assistance to the Palestinian people: progress report, October 1997-September 1998. TD/B/45/CRP/1. Geneva, 9 October 1998.

2/ In accordance with the relevant General Assembly resolutions and decisions, most recently a General Assembly decision on assistance to the Palestinian people adopted at its 81st plenary session on 7 December 1998 (A/53/L.65), references in this report to the Gaza Strip and the West Bank, including east Jerusalem, pertain to the "occupied Palestinian territory". For purposes of brevity, the terms "the Palestinian territory" or "the territory" are also used as appropriate.

3/ Issued under document symbol UNCTAD/ECDC/SEU/11, Geneva, 27 December 1995.

4/ Population and labour force data and GDP/GNP estimates for 1997 and 1998 are presented in United Nations Special Coordinator in the Occupied Territories. UNSCO Report, Gaza, UNSCO, Spring 1999.

5/ Data for the period 1990-1993 are calculated from Halbach, A.J. New Potentials for cooperation and trade in the Middle East. Munchen, Weltforum Verlag, 1995. Data for the period 1994-1996 are calculated from the official website of the Palestinian Central Bureau of Statistics (PCBS).

6/ According to the PCBS, 71 and 69 per cent of total exports in 1996 and 1997, respectively, were "national exports", with the balance mainly classified as re-exports.

7/ The full assessment, prepared with the assistance of an UNCTAD consultant, will be published later in 1999.

8/ The most recent treatment of these issues may be found in UNCTAD. The Palestinian economy and prospects for regional cooperation. UNCTAD/GDS/SEU/2. Geneva, 1 July 1998.

9/ For the background to these concepts, see Evans, P., Embedded Autonomy, Princeton, N.J., Princeton University Press, 1995.

10/ UNCTAD. Palestinian merchandise trade in the 1990s: opportunities and challenges. UNCTAD/GDS/SEU/1. Geneva, 23 January 1998; UNCTAD. "The Palestinian economy ...", op. cit.

11/ They are intended for publication in late 1999.

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